

Business Times - 19 May 2010

## Going all out to retain top talent

**Local firms are competing head-to-head with their foreign counterparts to keep their best young people, reports CHEW XIANG**

JUST 12 months ago, the legal sector seemed to be facing its toughest challenge since the recession of 2001-3. Fees from corporate work were in free fall as capital market activity dried up; some quietly feared a price war was looming. Associate salaries were slashed at the big firms and there was talk that 'stealth layoffs' - lawyers being told to leave for underperforming - could happen if the bad times persisted. And the entry of six foreign law firms granted licences to practise Singapore law promised even greater competition, both for work and talented juniors - a double whammy, as one lawyer described it then.

As it turned out, such concerns were probably exaggerated. Last year, the legal services sector grew 4.3 per cent, even faster than in 2008 (4.2 per cent), and comfortably outperforming the rest of the economy, Law Minister K Shanmugam told Parliament earlier this year. Between 2007 and 2009, the number of lawyers here rose by 8 per cent as new sources of supply were opened up and since 2006, the number of foreign law firms here has more than doubled to 100. The minister also noted strong progress of the country as an international arbitration hub, with the Singapore International Arbitration Centre (SIAC) handling 160 cases last year, an increase of 60 per cent. The SIAC has moved into its swanky new quarters at Maxwell Chambers, which was officially opened in January, and prospects for the arbitration industry look bright.

The legal sector is undoubtedly more vibrant and lawyers are thriving once again. Business across most practice areas is booming, if not quite at 2008 peaks yet. Corporate activity is firmly on the rise again and bear market mainstays such as litigation and restructuring are still going strong.

But law firms, especially the local ones, have their own concerns - primarily, to compete for new work and to keep their best people. 'We believe retention of talent to be the key to our firm's continuing success,' says Ng Wai King, a partner at WongPartnership. Those in the industry say foreign law firms have put the word out for quality associates with at least a few years' experience. 'They don't want to train fresh graduates, they want lawyers who can get in straight away,' says an industry source. 'They are willing to pay top dollar for talent, particularly those trained at the large local firms.'

That's even though local firms improved their pay packages earlier this year by frontloading annual bonuses into larger monthly salaries. According to Kelly Services, a recruitment consultancy, a junior lawyer with four years' post qualification experience can now expect \$11,000 to \$13,500 a month at an international firm, compared to \$9,500 to \$12,000 at local firms.

The difference though could be greater in reality, with some estimates suggesting local lawyers could command 50 per cent more by moving. 'They are cherry picking the best and the brightest,' says a partner of a leading Singapore firm. 'They pay the most and there is still a gap.'

And in-house counsel jobs are seen as increasingly attractive to some, with slightly smaller, if competitive, pay packages balanced by reputedly better working hours. In-house lawyers with between four and six years' experience could earn between \$8,750 and \$13,300, depending on experience and industry, according to Kelly Services.

Local law firms are responding every way they can. Some are trying to persuade key talent that while hopping to a foreign ship would bring international exposure, a local firm offers a faster route to a coveted partnership. 'We have told them that if you plan to transition from associate to full partner, it's easier to do that in a local firm than in an international law firm,' the partner of a leading firm says. Others give their blessings to junior lawyers to leave to acquire foreign experience, but ask them to return later, perhaps as partners. Most report receiving more and more inquiries and job applications from lawyers in foreign firms.

In their favour is that foreign firms are seen as more ruthless when it comes to culling staff. During the crisis of 2007-2009 big international firms axed thousands of lawyers, mostly in the UK and the US, a move which has not gone unnoticed here.

'Because of the crisis, the expected cannibalisation of Singapore firms was not as widespread as anticipated. Also, international firms have lost some of their gloss because of the severe retrenchments they implemented to deal with the economic crisis,' says Stephanie Yuen Thio, joint

managing partner of TSMP Law Corp, a mid-sized firm. The smaller firms also like to extol their friendlier and more intimate working environment and say they can offer a better working experience.

Other firms, like Rajah & Tann, say the competitive effect is likely to be minimal. 'The (foreign firms) are not expected to expand their practices to any great extent, and the impact on hiring should be minimal,' says Senior Counsel Lee Eng Beng, joint managing partner of Rajah & Tann. 'The QFLP (Qualifying Foreign Legal Practice) scheme is not expected to be about the introduction of competition or new foreign 'rivals'.'

Firms however, are rather more sanguine on competing for business, particularly on cost, but also on quality. One foreign lawyer recalls an episode when a local firm was able to quote a price 70 per cent less than the competitors'. Foreign firms have apparently been lowering rates so that they are more aligned with that of local outfits, whose fees are reportedly already among the lowest in the region. Fixed or capped rates are fast becoming the norm. 'We have noticed an increase in requests from clients for a lump-sum quote instead of billings based on hourly rates, especially for projects,' says Mr Lee of Rajah & Tann.

The partner at a leading local firm notes that the biggest Singapore outfits are probably facing the greatest pressure since they compete with foreign outfits for the same work - high end corporate actions with cross border aspects. While foreign firms can bring international expertise to bear, local ones are increasingly no slouch in this department either. Mr Ng of WongPartnership says that the local firms also have the advantage of being able to field a larger team of Singapore-qualified lawyers on major projects, with expertise in different areas of practice such as real estate, intellectual property, regulatory and competition law.

Others say that as litigation, conveyancing and family law are still restricted, local firms will always have some part to play; even in corporate work, foreign firms are unlikely to chase the small and medium business enterprise market.

Ultimately, the issue, however, is not whether new competition will affect the local firms, as Mr Shanmugam told Parliament. 'The issue is whether it is beneficial, first for Singapore, and second for the legal profession as a whole. The answer on both counts is yes,' he said.

Mrs Thio says one consequence could be a change in the way Singapore views its legal sector. 'Singapore is not a very litigious society so lawyers are seen as providers of cookie cutter services,' she says. But as more foreign firms come in, clients could realise that there is real value to legal work as a necessary part of risk prevention and become more prepared to pay for it. 'That attitude may well take hold in Asia,' she says.

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